CARLISLE CITY COUNCIL

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AUDIT COMMITTEE

Committee Report

Public

Date of Meeting: 27th September 2011

Title: AUDIT SERVICES PROGRESS REPORT

Report of: Assistant Director (Resources)

Report reference: RD.44/11

Summary:

This report summarises the work carried out by Audit Services since the previous report to Committee on 15th August 2011 and details the progress made against the 2011/12 Audit Plan up to 2nd September 2011.

Recommendations:

Members are requested to receive this report and note progress made against the agreed 2011/12 Audit Plan.

Contact Officer: Gill Martin,   **Ext:**   7294
                        (Interim) Audit Manager

CITY OF CARLISLE

To: Audit Committee
        27th September 2011   RD.44/11

Audit Services Progress Report

1   Summary of Audit Work

1.1   This report summarises the work carried out by Audit Services since the previous report
        to Committee on 15th August 2011 and monitors progress made on the 2011/12 Audit
        Plan.

2   Audit Performance Against the 2011/12 Audit Plan

2.1   The 2011-12 Audit Plan was presented to the Audit Committee on 12th April 2011 –
        report RD5/11 refers.

2.2   To assist Members in monitoring progress against the agreed Audit Plan, **Appendix A**
        illustrates the work completed by the Audit Team for the 22 week period up to 2nd
        September 2011.

2.3   Members will note the extent of the progress made on the high risk audit reviews and
        the near completion on the National Fraud Initiative (NFI) data matching exercise.

2.4   As shown in Appendix A (page 5), 221 days (41%) of the 535 total direct audit days
        expected in 2011/12 were delivered by 2nd September 2011, which is only marginally
        under the target for this position in the year (226 days - 42%).   This is mainly due to the
        high proportion of annual leave taken by audit staff during the summer period.

3   Follow-up Reviews

3.1   There are no issues concerning follow up reviews which need to be brought to
        Members' attention at this time.

3.2   Members of the Committee received the audit report on Grants at their meeting in
        September 2010 which was given a restricted assurance rating.   A comprehensive
        follow up of the recommendations in this report is ongoing alongside review of the
        actions being taken to address the recommendations raised in the Certification of
        Claims and Returns Annual Report produced by the Audit Commission early 2011

(2009/10 audit of this area). It is intended that the outcome of these follow up reviews will be reported to the next Committee in October.

4   Review of Completed Audit Work

4.1   At the meeting on 5th July 2011, Members agreed the changes to the format and content of audit reports in line with best practice arrangements, along with a change to reporting detail considered by the Committee. Finalised audit reports for Members consideration which have been prepared in this revised reporting style are now in use.

4.2   There are two final audit reports to be considered by Members at this time.

4.2.1   The audit of Risk Management is attached as **Appendix B**. This has been given <u>reasonable</u> assurance. Members' attention is drawn to the key issues arising from this review, which are summarised in section 7 of the Management Summary (page 12), and the agreed recommendations which are shown within the action plan which follows (page 15).

4.2.2   At the meeting of the Audit Committee in January 2011, it was reported that the future approach and coverage of ICT audit reviews was to be reconsidered due to the change in the service delivery model. Internal Audit should be proactive in its approach in identifying new risks and opportunities brought about through the ICT shared service arrangement and after some initial planning and discussions between the Audit Managers from both Carlisle City and Allerdale Borough Councils, it was agreed that a joint audit review of the Governance Arrangements of the ICT Shared Service should be carried out. This joint report is attached as **Appendix C**.

4.2.3   Members should note that as lead of this particular review, the report has been produced by Allerdale Borough Council's Audit Section and this explains why the format of the report and grading of the recommendations appear slightly different to the approach normally used by Carlisle City's Internal Audit team.

4.2.4   The overall audit opinion of effective controls equates to a <u>reasonable</u> assurance rating under Carlisle City's assurance rating system. Member's attention is drawn to the key findings of this review which are detailed in Section 3 (page 19) of the Executive Summary and the recommendations contained within the Agreed Action Plan which follows (page 22).

4.2.5   This was a first attempt of joint audit delivery between authorities. It has been a positive experience and one which effectively demonstrates that if the work is planned and allocated correctly, matters which concern both authorities can be raised, audit opinions and recommendations made and importantly, reliance can be placed on each others work.

There are clear benefits of joined up audits and it is expected that this type of approach will become more prevalent as authorities continue to collaborate to deliver services and as such, further opportunities to deliver joint audit reviews will be explored by the Audit Shared Service.

5   **Recommendations**

5.1   It is recommended that Members:

- Note the progress made towards completion of the 2011/12 Audit Plan (up to 2nd September 2011) as illustrated in **Appendix A.**
- Receive the completed audit report on Risk Management attached as **Appendix B**
- Note the joint audit approach used to deliver the ICT Governance Audit and receive the joint audit report attached as **Appendix C.**

P. Mason
Assistant Director (Resources)

PROGRESS AGAINST THE AUDIT PLAN 2011/12
(as *at 2nd Sept 2011*)

Status	Plan Ref	Directorate	Section	Audit Area	Allocated Days	Days Taken	Comments
						position as	
HIGH RISKS							
Ongoing	143	Local Environment	Waste Services	Recycling	15	1	
	78	Resources	Property & Facilities Mgmt	Asset Management	15		
	2	Com. Engagement	Customer Services	Customer Contact Centre	15		
	150	Resources	Corporate	Transformation	15		
	112	Resources	Corporate	Partnerships	10		
Completed		Governance	Legal	Health & Safety	10	12	Final report was considered by the Audit Committee in July 2011
	37	Local Environment	Waste Services	Refuse Collection	10	0	
Ongoing	42	Local Environment	Highways	Highways Contract & Claimed Rights	15	5	
Draft Issued	5	Local Environment	Highways	Connect 2 Cycleway Project - Sustrans Grant	10	34	Nominal time allocation - insufficient for the scale of this review.
	152	Resources	Financial Services	Capital Resources / Programme	15	0	
Completed	86	Resources	Property	Properties for Rent & Industrial Estates	10	20	Wider review undertaken than initially planned. Final report was considered by the Audit Committee in August 2011
Pending	20	Com. Engagement	Museums and Gallery	Tullie House	10	1	
	4	Com. Engagement	Com. Housing & Health	Community Support	10	0	
Ongoing	29	Local Env. / Resources	Financial Services	Insurance (inc highways)	10	22	

Ongoing	151	Resources	ICT Connect	ICT Shared Service Governance Arrangements	5	8	Joint ICT review with Allerdale BC – Key Findings & Action Plan to be considered by September 2011 Audit Committee
	26	Resources	Property & Facilities Mgmt	Facilities Management / Building Maintenance	10	0	
Ongoing	44	Resources / Governance	Financial Service	Tendering & Contracting	15	3	
Completed	81	Corporate		Risk Management Arrangements	10	20	Comprehensive first review of this area. Final report to be considered by the September 2011 Committee
Completed	85	Com. Engagement	Com. Housing & Health	Housing Benefits Overpayments	15	15	Final report was considered by the Audit Committee in August 2011
Ongoing	15	Local Environment	Bereavement Services	Cemeteries, Crematorium	12	5	
	18	Com. Engagement	Com. Housing & Health	Events	10	0	
				TOTAL DAYS FOR HIGHER RISK AUDITS	**247**	**144**	

LOWER / MEDIUM / OTHER RISKS

	45	Resources	Financial Service	VAT	10		
Completed	30	Local Environment	Environmental Services	Pest Control	5	6	Final report considered by the Audit Committee in July 2011.
Pending	146	Resources	Corporate	CRB Compliance	5	1	Review currently pending due to updated practices placed on hold
	-	Corporate		External Grant Funding	5		
	-	Corporate		National Fraud Initiative (NFI)	15	16	Exercise 95% complete
				TOTAL DAYS FOR OTHER AUDITS	**40**	**22**	

MATERIAL AUDIT REVIEWS

77	Resources	Financial Services	Income Management & Cash Collection	12		
70	Resources	Financial Services	Fixed Assets	12		
69	Resources	Financial Services	Main Accounting System	15		
71	Com. Engagement	Revenues	Housing & Council Tax Benefits	12		
76	Resources	Financial Services	Treasury Management	8		
74	Resources	Service Support	Creditors	8		
92	Com. Engagement	Housing	Housing Regeneration (Improvement grants)	8		
126	Resources	Service Support	Payroll	10		
73	Resources	Service Support	Debtors	8		
75	Com. Engagement	Revenues	NNDR	10		
72	Com. Engagement	Revenues	Council Tax	12		
16	Local Environment	Highways	Car Parking	10		
			Contingency for material audits	15	10	Relates to time taken to clear remaining draft reports from 2010/11 and "hot assurance" work involving cash management procedures
			TOTAL DAYS FOR MATERIAL AUDITS	**140**	**10**	

ICT

Ongoing	ICT 3	IT Strategy	10		
	ICT 6	Network Controls	10		
	ICT 15	Service Desk, Incident & Problem Management	10		
		TOTAL DAYS FOR ICT AUDITS	**30**	**0**	
		TOTAL DAYS FOR CONTINGENCY	**28**	**20**	Includes additional time allocations against planned reviews, VFM support and other misc. advice / support provided
AUDIT REPORTING, PLANNING & COMMITTEE		**AUDIT MANAGEMENT**	**40**	**20**	Audit Management Reporting, Planning and Committees
OTHER		**AUDIT FOLLOW UP REVIEWS**	**10**	**5**	
		TOTAL AUDIT DAYS	**535**	**221**	

Audit Plan at @ week 22:			
Target direct audit days	226	42.2%	expected
Actual direct audit days delivered	221	41.3%	delivered - *marginally under target*
Variance	*-5*	*-0.90%*	

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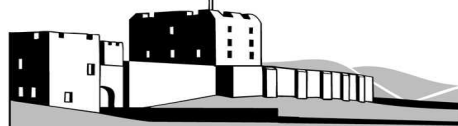
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AUDIT SERVICES

A Shared Service between Cumbria County Council, Carlisle City Council and Copeland Borough Council

FINAL REPORT

Audit of Risk Management

Draft Report Issued: 4th August 2011
Final Report Issued: 12th September 2011

Section 1 – Management Summary

1.   REASON FOR THE AUDIT

1.1.   The audit of Risk Management was identified for review as part of the agreed Audit Plan for 2011/12.

2.   AUDIT CONTACT & REPORT DISTRIBUTION

2.1.   The Lead Auditor for this review was Paula Norris.

2.2.   The audit report has been distributed to the following officers.

Recipient	Action Required
Interim Chief Executive Senior Management Team (SMT)	Report to be noted and appropriate actions considered.
Chief Executive's Team: -Policy & Communications Manager -Corporate Projects and Risk Management Officer. Resources Directorate: -Financial Services Manager -Development Support Manager	Action required. Please refer to Appendix A - Summary of Recommendations / Action Plan. Action required. Please refer to Appendix A - Summary of Recommendations / Action Plan.

3.   BACKGROUND INFORMATION

3.1.   Risk Management is the process by which risks are identified, evaluated and controlled. It is a key element of the framework of governance together with community focus, structures and processes, standards of conduct and service delivery arrangements.

3.2.   It is a structured approach to controlling uncertainties and potential dangers within the organisation by assessing what the particular uncertainties or dangers are, then developing strategies to minimise or mitigate those uncertainties or dangers.

3.3.   This Authority's Risk Management Policy states that:-"Carlisle City Council recognises Risk Management to be an essential part of the organisation's corporate governance arrangements. Risk Management not only ensures that it maximises opportunities by taking risks in a controlled manner, it is also a part of strong public leadership and a high standard of governance, making a public statement of how the Council manages risk, demonstrates openness, integrity and accountability."

3.4.   The responsibility for the monitoring and co-ordination of the Risk Management Process has recently been moved to the Policy & Communications Team. The Corporate Projects and Risk Management Officer who sits on the CRMG is a system administrator for the Covalent Performance Management System and co-ordinates the risk management process. The role of the Policy & Communications Team is to provide support in the corporate approach to risk

Section 1 – Management Summary

management. The quarterly cycle of performance and risk reporting complements the Council's Forward Plan for its Budgetary and Policy Framework. Regular contact between the team and Service Managers means that conversations around risk management take place on a monthly basis rather than just in time for a quarterly report.

4.   SCOPE

4.1.   Audit testing and verification have been carried out to form an opinion over the effectiveness of systems and controls in place relating to the risks identified.   Key areas for review and a detailed findings are shown in Section 2 of this report - Matters Arising:

Section	Areas Examined
1.	Member Involvement.
2.	Implementation of the Strategy (by Officers).
3.	Risk Identification, Prioritisation, Exposure and Control Strategies.
4.	Communication and Awareness.

4.2.   Risks associated with the audit area which have been raised through the Corporate Risk Management process are identified for inclusion into the areas examined by the audit. There are no reported risks associated with the Council's risk management procedures which need to be reported and managed through this process.

5.   RECOMMENDATIONS

5.1.   Each recommendation has been allocated a grade in line with the perceived level of risk.   The grading system is outlined below:

GRADE	LEVEL OF RISK
A	Lack of, or failure to comply with, a key control leading to a *fundamental weakness.
B	Lack of, or failure to comply with, a key control leading to a significant system weakness.
C	Lack of, or failure to comply with, any other control, leading to system weakness.
D	For consideration only - action at manager's discretion.

A fundamental weakness includes non-compliance to statutory requirements and/or unnecessary exposure of risk to the Authority as a whole (e.g. reputation, financial etc).

5.2.   There are 9 recommendations arising from this review :
- 7 at grade B
- 1 at grade C

Section 1 – Management Summary

6. STATEMENT OF ASSURANCE

6.1.   An audit assurance level is applied to each review to assist Members and officers in an assessment of the overall level of control and potential impact of any identified weaknesses. The assurance levels are:

Level	Evaluation
Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.
Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.
Restricted	Significant weakness/es have been identified in the system of internal control, which put the system objectives at risk.
None	Based on the results of the audit undertaken, the controls in operation were found to be weak or non-existent, causing the system to be vulnerable to error and/or abuse.

6.2.   From the areas examined and tested as part of this audit review, we consider the current controls operating within Risk Management provide <u>REASONABLE</u> assurance.

7. KEY FINDINGS ARISING FROM THE AUDIT REVIEW

The <u>reasonable</u> assurance level provided by this audit has been influenced by a number of factors including stability of systems audited, non adherence to procedures and the number of significant recommendations made.

A number of opportunities to further enhance controls have been identified and these are shown in Appendix A – Summary of Audit Recommendations and Action Plan.   The key issues arising from this review are:

7.1.   <u>Member Involvement.</u>

There are no major issues surrounding the involvement of Members in the Risk Management process. Procedures are there so that Members are fully involved in the Risk Management process and are ultimately responsible for agreeing the outcomes.

As the Risk Management Policy/Strategy is approved by the Executive and the arrangements reviewed by the subsequent Scrutiny Panels, there is sufficient Member overview within the Risk Management Process.

It would be beneficial however, that by way of a short briefing session, Members are provided with up to date training on the operational side of the risk registers, i.e. the risk scoring so they

can follow the risk management process from the outset. Those Members with specific Audit Committee responsibility should have these sessions tailored towards these constitutional responsibilities.

7.2.   <u>Implementation of the Strategy by Officers.</u>

There are no issues surrounding the implementation of the Risk Management Strategy at strategic level, although there is potentially a wider role for Audit to play.   The areas of concern tend to concentrate around the implementation of the strategy around operational level. (See below)

7.3.   <u>Risk Identification, Prioritisation, Exposure and Control Strategies.</u>

Similar to Members, a training issue is highlighted for Officers. It is evident that the system for officers has been established, however, it is recognised that there are various factors that have hindered its successful embedment.   These factors include staff turnover and transformational changes which have meant that those officers that were initially trained in the process may no longer be employed by the Authority.

There are definite omissions and amendments in the operational risk registers that should be addressed as the approach to risk identification, scoring and reporting was seen to differ at service level. There is already an established corporate standard approach for highlighting problems in the area of operational risk identification and exposure, but this is not effectively embedded. Whatever techniques are employed to identify risks, the risks must relate back to the objectives of the Authority and the function or specific project in question.

The formula for prioritising the risks is achieved using an accepted good practice risk model and testing indicated that it is widely used throughout the Authority. Currently however, this appointed system requires significant support from the Corporate Project and Risk Management Officer to keep atop of the process with amendments/omissions etc, when ideally they should just be driving forward and supporting the process with the services taking ultimate responsibility for identifying and managing their own risks.

A pro-active risk identification approach has recently been adopted whereby the identification and consideration of risk is an integral part of the Corporate Planning process. The Corporate Project & Risk Management Officer actively encourages the responsible officers to automatically consider risk in relation to the key actions in the Corporate Plan. This approach is still to produce tangible results as it was only implemented as part of the 2010/11 year end performance reporting procedures; however, these measures are more than likely to improve the identification, prioritisation and control of risk within the Authority as part of the Corporate Planning process.

7.4.   <u>Communication and Awareness.</u>

Communication regarding Risk Management on a strategic level is satisfactory. Members are regularly informed through the Audit Committee of the current risk position. Service Managers

Section 1 – Management Summary

are continually reminded of their responsibilities in managing risks. The significant staffing and organisational structure changes at this level of the organisation means that this approach must be maintained to ensure that the corporate approach is not 'lost' along the way to enable the information to be cascaded downwards effectively.

Communication of the Risk Management process throughout the Authority needs to be improved upon. The current procedure involves a structure, which, on occasion appears quite 'insular' to those involved directly with the risk management process.

Audit testing implied that there was minimal evidence of Authority-wide buy-in at operational level in some areas. For example, risk scoring on a non-residual basis, service areas with obvious levels of risk being omitted from plans etc. It must be stated that there were also a few service areas where the management of risk was very thorough.

These results however are contradicted by the results of a recent employee survey conducted by the Policy & Communications Team where there was a more positive response. It is suggested that the definition of risk in the context of the corporate risk management ethos should have been more defined for the purpose of this survey, so that the replies received answer the intention of the question. The basis of *any* survey of employees should centre on the distinct perception of what is understood to be a risk before any definite conclusions are made on the effectiveness of organisational buy-in.

The benefits of communication between those officers producing the risk registers and the staff performing the duties are not being fully explored.   There are information streams already available with no or little extra resource implications which should be utilised. Team Meetings, Figtree Reporting, the Authority's Insurance Claim Management System and Internal Audit reports are all valuable commodities which are already available to management to support risk management processes within their respective areas of responsibility.

Additional confusion has been caused by the continuous development and increased involvement of Covalent and Risk Management half way through a process. Covalent is a performance management system and was initially set up to present Performance Indicator information. Subsequently the system has been developed and used at differing levels within the Authority. It is not clear to all that were initially involved with the system as to its true use and potential in respect of risk management processes.

SUMMARY OF RECOMMENDATIONS & ACTION PLAN

Audit of Risk Management

REF	ISSUE RAISED	RECOMMENDATION	GRADE	AGREED ACTION	RESPONSIBLE OFFICER	DATE ACTIONED BY
R1	Members are not provided with a complete overview of the risk management process.	Members are given the opportunity for training on risk management procedures from an operational perspective, so that the full process can be easily understood. It would be beneficial if the training could be 'two-tiered' (1) Generic 'awareness' training for all Members regarding risk management, (2) Duty specific training for those Members with Audit Committee responsibility.	B	E-Learning Package is being developed for generic training. Specialist training for Audit Committee Members being discussed with external providers.	Policy & Communications Manager/ Corporate Projects & Risk Management Officer	31st March 2012
R2	There is no direct Audit representation on the Corporate Risk Management Group.	That Management consider the merits of Audit Services being more directly involved in the Corporate Risk Management Process.	B	Agreed. The Audit Manager has been invited to attend the next meeting.	Chair of the Corporate Risk Management Group	31st August 2011
R3	There is evidence that some employees, whilst not directly involved in the risk	The importance of effective risk management as part of the everyday work of all Council employees should	B	To be included in E-Learning package.	Policy & Communications Manager/	31st October 2011

	management process, are not fully aware of the importance and the value that they add to the overall risk management process.	be reinforced and the definition of the term 'risk' in the intended context should be made clear to all. The consideration of risk should be incorporated into all services and channeled upwards via team meetings, DMT then SMT if necessary.		Promoted through Management Briefing Sessions. Management Training conducted by external provider.	Corporate Projects & Risk Management Officer/SMT	30th September 2011 31st March 2012
R4	Service Plans are not all up to date to adequately reflect exposure to operational risk.	Departmental Service Plans must be kept up to date so that Operational Risk Registers can reflect the current risks associated with service delivery.	B	Action Plan is in place. This will be monitored through Covalent.	Policy & Communications Manager/ Corporate Projects & Risk Management Officer/SMT	31st October 2011
R5	The corporate approach to the management of risk in the Authority is not applied on a consistent basis. The approach to categorising risks and risk scoring differed in some areas and there has never been an all encompassing training package for those with risk management	The corporate standard should be enforced, particularly in what type of risk is to be included, how it should be scored (i.e. on a residual basis), and how these should be reported on. Mandatory Training should be provided to all officers involved in the risk management process to show how to enforce the corporate standard in identifying, scoring and reporting risks and encourage the better more effective use of Covalent.	B	Development of E-Learning Package. Promoted through Management Briefing Sessions. 'Management of Risk' Training for Managers commencing 12th	Policy & Communications Manager/ Corporate Projects & Risk Management Officer/SMT	31st October 2011 30th September 2011 31st March 2012

	responsibility.			March 2012.		
R6	The Risk Registers placed on the Authority Intranet are out of date.	To ensure that the risk register information is current, that there is only one copy of the information in circulation, risk registers should be maintained only in Covalent.	C	Agreed and to be actioned. Operational Risk Registers no longer on Intranet.	Policy & Communications Manager/ Corporate Projects & Risk Management Officer/SMT	31st October 2011 31st August 2011.
R7	The risk arrangements surrounding partnership working are unclear.	Each partner within a shared service, a trust arrangement or recognised partnership working should work in conjunction with each other to reduce duplication in managing overlapping risks, whilst also ensuring that gaps are identified and managed. The governance arrangements and the risks associated with these agreements should be captured in the associated risk registers.	B	Agreed and current procedures will be reviewed to ensure compliance with Audit recommendations.	Development & Support Manager / Corporate Projects & Risk Management Officer/SMT	31st December 2011
R8	There are information streams already available with no or little extra resource implications which should be utilised. Team Meetings, Figtree Reporting	The Figtree Insurance Claim system should be utilised to provide service area claim history information. This can then be used to inform managers where the operational risks are within their service and identify if any control	B	Agreed. Following full implementation of the Figtree upgrade, information will form part of the quarterly operational risk	Financial Services Manager/Corporate Project & Risk Management Officer.	31st August 2011.

and Audit Reports are all valuable commodities which are already available to management.	strategies already in place are appropriate. It is important that those additional risks highlighted by Audit Services are escalated through the risk management process.	register reviews. Recurring Management Information. Agreed to discuss at the next Corporate Risk Management Group.	31st March 2012. 28th September 2011.

APPENDIX C

ICT Governance Audit Review 2011/12

Part One – Executive Summary

1.   Introduction

1.1   As part of the 2011/12 Internal Audit Plan, a systems based review has been undertaken of the controls and procedures currently in place over the governance arrangements of the shared ICT service provided by ICT Connect for Allerdale Borough Council (ABC) and Carlisle City Council (CCC).

1.2   This audit review had been undertaken jointly with CCC Internal Audit and a single report produced.

1.3   Internal Audit would like to thank all staff involved during the course of the review for their help and assistance, in particular, the ICT Shared Service Manager.

2.   Objective and Scope of the Review

2.1   The objective and scope of this audit was defined in the audit brief issued to all relevant staff on 3 June 2011 a copy of which is available on request.

2.2   CCC Internal Audit will be undertaking a separate review on ICT Strategy during 2011/12 which will include business continuity. As a result these areas set out in the audit objectives in the audit brief have not been considered by them and the detailed findings in these areas relate solely to ABC.

3.   Audit Opinion

Internal audit considers that effective controls exist in respect of the governance arrangements for the shared ICT service.

3.1   There are **15 grade two** and **two grade three agreed actions** arising from this audit review.

3.2   The governance framework provided by the ICT shared service Administrative Agreement (AA) and Service Level Agreement (SLA) do not provide for effective challenge and oversight of the shared service and separation of roles between the Strategic Board and Joint Operational Board. Operational issues are well documented, however key milestones identified in the agreements and decisions where referral to both Councils is required cannot be addressed through the frequency of meetings that has been achieved and are consequently not being adequately documented in the meeting records for the first year of the shared service. These weaknesses relating to meeting timetabling, agendas and recording, compliance with the ICT shared service agreements and board membership for the effective governance of the ICT shared

service need to be resolved ahead of any further expansion of partner organisations, or entering into any other shared service arrangement.

3.3   The SLA requires Member involvement in approval of the Service Plan which is at odds with normal practice. The approach for managing risk has not been addressed by the SLA which is a key tool for management to ensure the achievement of objectives.

3.4   Financial management arrangements are in need of a complete review. The provisions of the SLA in this regard are in places contradictory and are not adequate on their own for provide a workable system. The invoicing and payment process and exchange of financial information has evolved rather than being determined at the outset and consequently varies considerably from the provisions of the SLA. The detail of financial information shared by the two Councils at the present time is not sufficient for financial monitoring at any level. As financial information is the key baseline against which performance of the ICT shared service can be judged it is vital that this is addressed.

3.5   The ICT Strategy is in the final year of its three year term and is currently being reviewed. The current version was based on the business case and is not consistent with the AA and SLA. The opportunity should be taken to bring the term in line with corporate planning cycles, enhance the profile of the shared service in both Councils and promote awareness of the ICT shared service governance arrangements and encourage communication. The key element of the Strategy is the rationalisation of business applications which supports the efficiency savings envisaged for the shared service. A report has been compiled on this subject that identifies the potential applications involved. Each will require a business case, but the selection and prioritisation process needs to be seen to be fair.

3.6   The ICT shared service departmental structure is divided into four functional areas which the Shared ICT Service Manager has confirmed has been a good framework to manage the service. Harmonised standards, procedures and working practices are being rolled out as part of the implementation of the IT Infrastructure Library (ITIL) best practice framework in conjunction with ISO/IEC 20000 IT Service Management Standard. This lack of standardisation presents a weakness in the control environment, but no recommendation has been raised in view of the actions already included in the Service Plan. It is noted that the original timescale of March 2012 is likely to slip as other work relating to business requirements has taken precedence. The performance indicators identified in the Service Plan have proved unworkable and the decision taken to adopt the SOCITM industry standard indicators which have the added benefit of the ability to benchmark results against other organisations.

3.7   The ICT shared service is continuing to operate with the variety of information security policies inherited from both Councils presenting a lack of standardisation and a consequent weakness in control. Within the ICT shared service information security is only included in the Managers' job descriptions. This would not provide any safeguard in respect of any agency, contract or third party staff who are granted access to systems and data on a temporary basis.

3.8   The current ABC business continuity plan for ICT does not take account of the shared service arrangement. There are outstanding actions from the 2009/10 Business Continuity Management audit review relating to a wholesale review of business

continuity arrangements at ABC. Whilst the disaster recovery plan for the ICT shared service can be determined, without the recovery priority for each service being established corporately planning for their vital support role to other services cannot be completed. The decision by one Council to leave the shared service is another threat to service continuity. Technologically this is becoming more difficult, but nonetheless the relationship should be managed to enable both parties to get the most out of the partnership.

Action Plan – ICT Governance Internal Audit Review 2011/12

Agreed actions				
No	**Details**	**Implications**	**Manager Responsible and Response**	**Implementation / target date**
	Grade 2			
1.	The membership, role and responsibilities of Strategic Board and Joint Operational Board should be reviewed in the light of experience gained since inception of the ICT Shared Service to provide a practical, efficient and effective governance framework with appropriate separation. Any variations from the provisions in the shared service agreements should be formally documented and approved by both Councils and used as the basis for further expansion.	Lack of separation of roles between the Boards. No effective oversight or challenge of the Joint Operational Board. Inadequate engagement with key support services. Insufficient frequency of Joint Operational Board meetings for operational decision making and efficiency of the service. Failure to identify decisions requiring escalation and the requirement for formal change notices and financial implications.	**ICT Shared Service Strategic Board**	**30 June 2012**

Agreed actions				
No	**Details**	**Implications**	**Manager Responsible and Response**	**Implementation / target date**
2.	A timetable of Strategic Board and Joint Operational Board Meetings should be drawn up that provides for the reviews specified in the Service Level Agreement to be fully considered and documented. Standing agenda items should be determined to ensure the Joint Operational Board Minutes should be reviewed by the Strategic Board, relevant emerging strategic and business developments are identified and risks managed appropriately in a timely fashion.	The governance framework and key milestones in the shared service agreements are not adhered to or appropriately documented breaching the contract and damaging partnership relations. Imbalance in the communication of client needs to the shared service between the participating Councils.	**Shared ICT Service Manager**	**31 December 2011**
3.	Administrative support should be arranged for the Strategic and Joint Operational Board meetings to ensure an objective record of each meeting is made documenting the governance framework of the ICT shared service in action.	Adherence to the governance framework cannot be demonstrated. Decisions needed and taken are not adequately documented. Tasks and actions are not managed through to completion.	**ICT Shared Service Strategic Board**	**31 December 2011**
4.	The approval route prescribed in the shared service agreements for the Service Plan through referral to the Strategic Board and both Councils should be reviewed as this is not consistent with normal local government practice and any change formally documented and approved by both Councils.	Delayed decision making in a dynamic area where an immediate response is needed to significant risks that can arise quickly. Lack of consistency with the usual corporate planning practice.	**ICT Shared Service Strategic Board**	**30 June 2012**

Agreed actions				
No	**Details**	**Implications**	**Manager Responsible and Response**	**Implementation / target date**
5.	A mechanism should be established to collate issues not adequately provided for by the shared service agreements to provide lessons learned and inform future arrangements.	Problems encountered are repeated within the ICT and other shared service arrangements. The basis on which new partners are invited to the shared service is not reflected in practice. Risk of legal challenge if agreements are not adhered to.	**ABC Strategic Manager – People** **CCC Assistant Director – Resources**	**30 November 2011**
6.	A risk management strategy should be adopted for the ICT Connect Shared Service that complements the risk management processes of the partner organisations.	Risks to the shared service objectives are not identified, evaluated, managed and reported. Participating Councils do not have visibility of the shared service risks and how they impact on corporate and service objectives.	**ICT Shared Service Joint Operational Board for approval by the Strategic Board.**	**31 March 2012**
7.	The financial arrangements for invoicing and payment for the costs of the ICT shared service should be reviewed. If the practice established during 2011 of invoicing based on actual expenditure rather than the procedure set out in the Service Level Agreement is to continue, this should be formally adopted and fed into the lessons learned for future shared service arrangements or for the expansion of the ICT shared service to include other parties.	Delay of invoice production leading to budget management and cash flow problems. Unacceptable level of creditor accruals at financial year end. Charging framework is not in accordance with the shared service agreement.	**ICT Shared Service Joint Operational Board** **ABC Technical Accountant** **CCC Chief Accountant**	**31 December 2011**

Agreed actions				
No	**Details**	**Implications**	**Manager Responsible and Response**	**Implementation / target date**
8.	A complete review of financial reporting and information sharing should be carried out with representation from the finance teams at both Councils and the ICT shared service to ensure there is an appropriate, robust exchange of information at a frequency that satisfies the operational needs of all parties and supports the spirit of partnership. A legal perspective may also prove beneficial in this review with regard to implications for the Service Level Agreement. Any variations in practice from the Service Level Agreement should be formally adopted and fed into the lessons learned for future shared service arrangements or for the expansion of the ICT shared service to include other parties.	CCC unable to have confidence in the relationship between their contribution and service received due to limited financial information being made available to them. Inability to monitor value for money achieved by both Councils. Inadequate dialogue between finance teams and shared service. Ineffective monthly budget monitoring by the shared service due to incomplete financial information. Inability to monitor performance against the financial baseline of the shared service business case.	**ICT Shared Service Joint Operational Board** **ABC Technical Accountant** **CCC Chief Accountant**	**31 December 2011**
9.	The Shared ICT Strategy should be reviewed in the light of the Administrative Agreement and Service Level Agreement to ensure content relating to ownership, approval and review is consistent.	Inconsistency between the ICT Strategy and the shared service agreements. The terms and conditions of the shared service agreements are overlooked.	**ICT Shared Service Joint Operational Board for approval by the Strategic Board.**	**31 March 2012**
11.	Evaluation criteria and procedures should be established to enable objective prioritisation of	Disagreement over the priority of individual projects included in the service plan.	**ICT Shared Service Joint Operational Board for approval by**	**31 March 2012**

Agreed actions				
No	**Details**	**Implications**	**Manager Responsible and Response**	**Implementation / target date**
	projects within the ICT shared service taking account of strategic, operational and technical matters, benefits and ease of implementation.	Disagreement over whether new projects are for the benefit of one or both Councils.	**the Strategic Board.**	
12.	The ICT asset register should include a record of the organisation owning each item to avoid any duplication or omission of responsibility on an ongoing basis or in the event of termination of the shared service agreement. This information should be made available to ensure the correct insurance cover is maintained.	Assets are not safeguarded as it is not clear who is responsible for each asset. Assets are either not insured or insured twice, either way a financial loss may result.	**Lead ICT Officer – Service Support**	**31 January 2012**
13.	ICT policies across both Councils should be harmonised to align policies and standardise the arrangements in place.	Inefficiencies due to lack of standardisation within the shared service. Inconsistent application and interpretation of policy by officers. Ability to address individual performance is compromised as is the potential for disciplinary action if needed.	**Shared ICT Service Manager for approval by the Joint Operational Board**	**30 April 2012**
15.	We recommend that Confidentiality Agreements are introduced for signature by all ICT staff including temporary or agency staff to emphasise the Council's requirements in respect of preserving the confidentiality and security of its information	ICT Officers unclear about their responsibility for information security. Ability to address individual performance in this area through appraisals is compromised as is the	**Shared ICT Service Manager**	**29 February 2012**

	Agreed actions			
No	**Details**	**Implications**	**Manager Responsible and Response**	**Implementation / target date**
	assets.	potential for disciplinary action if needed.		
16.	Awareness by and understanding of all ICT users of the nature and importance of ICT security weaknesses and incidents and what action to take when they arise needs to be improved and action taken by managers and supervisors to reinforce preventive measures required to be used as identified in the Council's information security and computer usage policies.	Information security breach occurs causing reputational damage to the Council. Sensitive information is not kept confidential leading to prosecution under Data Protection legislation.	**Shared ICT Service Manager**	**30 April 2012**
17.	A relationship management approach should be adopted by the ICT shared service that identifies the value gained by each Council in respect of their respective contributions in order to preserve the long term future of the partnership. *Grade 3*	Risk of failure of the shared service. Practical difficulties of separation of the shared service. Partners do not believe they are getting the level of service they are paying for.	**ABC Strategic Manager – People CCC Assistant Director – Resources**	**30 April 2012**
10.	The ICT Communications Strategy should include a mechanism for the involvement of users and management in the periodic review of the ICT Strategy to improve engagement between services, other stakeholders and ICT Connect.	Opportunity to maintain a dialogue with users, raise profile of the service and promote awareness of ICT issues leading to a more effective service is lost.	**Shared ICT Service Manager**	**30 November 2011**

Agreed actions				
No	**Details**	**Implications**	**Manager Responsible and Response**	**Implementation / target date**
14.	Responsibility for information security should be included in ICT Officer job descriptions at all levels.	ICT Officers unclear about their responsibility for information security. Ability to address individual performance in this area through appraisals is compromised as is the potential for disciplinary action if needed.	**Shared ICT Service Manager**	**31 March 2012**

Internal Audit shall be monitoring all current and future agreed actions through the Covalent performance management system. The use of Covalent will allow officers to directly update their progress and give managers the opportunity to monitor these actions. Implementation dates are agreed before the Final report is issued, amendments to these dates must be agreed with Internal Audit prior to changes being made within Covalent.

The assigned actions will appear on users' Covalent homepage. Updates and details of implementation can be completed by the officers assigned to the actions at any time. The record of the agreed actions updates within Covalent will be used to provide information required by the Strategic Management Team and Audit Committee.

Agreed Actions are graded according to the level of importance and severity of the system weakness. This grading falls into the following three categories:

- **Grade 1 – Agreed Actions which if not actioned, will result in the system weakness compromising the responsibilities of the Section 151 Officer under the Local Government Act 1972 which stipulate "that the Council must make arrangements for the proper administration of its financial affairs";**
- **Grade 2 – Agreed Actions relating to weaknesses which affect key areas of operation of the system and should be addressed in order to establish a satisfactory level of internal control; and**

- **Grade 3 – Agreed Actions which, in Internal Audit's opinion, are desirable but not essential in order to achieve a satisfactory level of internal control, however have been accepted by management to add value and be implemented by the agreed implementation date.**